

FISCAL NOTE

Bill #: HB0523

Title: Distribute lottery proceeds to teacher retirement

Primary Sponsor: Sinrud, J

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	(\$709,000)	(\$1,890,000)
Revenue:		
General Fund	(\$7,002,000)	(\$7,899,000)
Net Impact on General Fund Balance:	(\$6,293,000)	(\$6,009,000)

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Administration

1. HB 523 requires that the Lottery transfer its net revenue to counties to reduce the countywide retirement mill levy.
2. Currently all of the Lottery's net revenue is transferred to the general fund. Therefore the proposal would reduce general fund revenue by approximately \$7.002 million in FY 2006, and \$7.899 million in FY 2007.
3. The Lottery would distribute revenue to the county retirement levies on a quarterly basis and will accrue the expenditure for the entire fiscal year's anticipated revenue. The actual distribution of the final quarter's revenue will not occur until after the close of the fiscal year.

Office of Public Instruction

3. In FY 2006, counties will receive three quarters of the state FY 2006 amounts. In FY 2007, counties will receive one quarter of the state FY 2006 amount and three quarters of the state FY 2007 amount.
4. Due to the uncertainty of the revenue source, counties would anticipate only half of the actual revenue that they will receive in FY 2006. In FY 2006 counties will anticipate \$2.63 million (7.002 times 0.75 times 0.50), the remaining \$2.63 million received by counties in FY 2006 will increase fund balance in the retirement funds.
5. In FY 2007 counties will anticipate receiving the FY 2006 annualized amount or \$7.002 million.

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(continued)

6. County retirement mills are matched with state guaranteed tax base aid (GTB). The average state GTB proportion of mills levied is 27%. When the counties anticipate receiving the Lottery Proceeds, the state will share in the reduced retirement expense.
7. The GTB savings to the state in FY 2006 will be \$709,000 (27% times \$2.63 million) and in FY 2007 will be \$1.89 million (27% times \$7.002 million).

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Local Assistance – OPI	(\$709,000)	(\$1,890,000)
Transfers to GF – Lottery	(7,002,000)	(7,899,000)
Local Assistance – Lottery	<u>7,002,000</u>	<u>7,899,000</u>
TOTAL	(\$709,000)	(\$1,890,000)
<u>Funding of Expenditures:</u>		
General Fund – OPI	(\$709,000)	(\$1,890,000)
<u>Revenues:</u>		
General Fund (01)	(\$7,002,000)	(\$7,899,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$6,293,000)	(\$6,009,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Under the proposal, local governments would receive lottery revenues each year; the revenue would be used to offset the countywide retirement mill levy. The proposal would reduce the countywide retirement mill levy and local property taxes.

TECHNICAL NOTES:

1. Under the proposal, county governments would receive their first payments in December 2005. Lottery revenue is transferred on a quarterly basis. Based on the effective date of the bill, the first quarter that revenue would be sent to the counties would end on 9/30/2005. However, net revenue would not be transferred until the end of December 2005 because the actual transfer amount needs to be calculated and approved by the Lottery Commission. Currently, the Lottery retains no working capital and this delay allows the capital required to conduct its business. Each subsequent quarter would be handled similarly.
2. HB 372 provides for a transfer of lottery revenues to the Office of Public Instruction. This proposal and HB 372 conflict.
3. HB 523 does not prescribe how the county treasurer would distribute revenue between the high school and elementary county levies. State guarantee levels vary between elementary and high school, if the bill does not clarify how the revenue is distributed, counties could place the funds in the source that is the most advantageous to the county and the state GTB savings would be lower.